

Higgs International Limited (formerly Higgs Air Agency Limited)

Registered No. 561496

DIRECTORS

C H Thomas (Chairman)
C E Turner (Managing Director)
E H G Thomas
A K Robinson
A J Chequer
M J Cartwright

SECRETARY

C E Turner

AUDITORS

Ernst & Young
Apex Plaza
Reading
Berkshire
RG1 1YE

BANKERS

Barclays Bank plc
131 Edgware Road
London
W2 2HT

SOLICITORS

Ashurst Morris Crisp
Broadwalk House
5 Appold Street
London
EC2A 2HA

REGISTERED OFFICE

Unit 7, Thameside Industrial Estate
Factory Road
Silvertown
London
E16 2HB



Higgs International Limited (formerly Higgs Air Agency Limited)

DIRECTORS' REPORT

The directors present their report and the audited accounts for the year ended 31 December 1997.

RESULTS AND DIVIDENDS

The loss for the year, after taxation, was £13,213 (1996 profit: £932,549). A dividend of £1,250,000 was paid (1996: £1,000,000) during the year which leaves a deficit of £1,263,213 (1996: £67,451) to be transferred from reserves.

PRINCIPAL ACTIVITY AND REVIEW OF BUSINESS DEVELOPMENTS

The company's principal activity during the year continued to be the airfreighting of UK newspapers. The company continued to trade satisfactorily during the year.

DIRECTORS AND THEIR INTERESTS

The directors of the company during the year were as follows:

C H Thomas	(Chairman)
C E Turner	(Managing Director)
C H Lezard	(Resigned 26 November 1997)
A J Chequer	
A K Robinson	
M J Cartwright	
EHG Thomas	(Appointed 11 November 1997)
M Cole	(Resigned 8 April 1997)

C H Thomas and M J Cartwright are directors of the ultimate parent company, Mercury Holdings plc. Their interests in the share capital of the ultimate parent company are disclosed in the annual report of that company.

At 31 December 1997 C E Turner held 11,000 ordinary shares, and A K Robinson held 6,500 ordinary shares and options over 4,500 ordinary shares in Mercury Holdings plc and AJ Chequer held options over 11,000 ordinary shares in Mercury Holdings plc.

FIXED ASSETS

Changes in fixed assets are shown in Note 9.

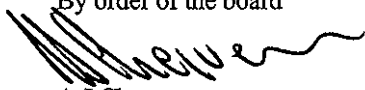
CHANGE OF NAME

On 23 January 1997 the company changed its name to Higgs International Limited.

AUDITORS

Ernst & Young have expressed their willingness to continue in office as auditors and a resolution proposing their re-appointment will be submitted at the forthcoming Annual General Meeting.

By order of the board



A J Chequer
Secretary

21 April 1998

Unit 7, Thameside Industrial Estate
Factory Road
Silvertown
London
E16 2HB

Higgs International Limited (formerly Higgs Air Agency Limited)

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

REPORT OF THE AUDITORS**to the members of Higgs International Limited (formerly Higgs Air Agency Limited)**

We have audited the accounts on pages 5 to 14 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 31 December 1997 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Chartered Accountants
Registered Auditor
Reading
21 April 1998

Higgs International Limited (formerly Higgs Air Agency Limited)

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 1997

	<i>Note</i>	<i>1997</i> £	<i>1996</i> £
TURNOVER- continuing operations	2	26,864,582	30,494,015
Cost of sales		20,222,953	23,152,232
Gross profit		6,641,629	7,341,783
Administrative expenses		5,845,903	6,180,896
OPERATING PROFIT - continuing operations	3	795,726	1,160,887
Other operating income	4	57,666	286,246
Exceptional item	7	(595,145)	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		258,247	1,447,133
Taxation on profit on ordinary activities	6	271,460	514,584
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	15	(13,213)	932,549
Dividends	8	1,250,000	1,000,000
RETAINED LOSS FOR THE YEAR		(1,263,213)	(67,451)

RECOGNISED GAINS & LOSSES

There were no recognised gains or losses except for the deficit for the year ended 31 December 1997 of £13,213 and the profit for the year ended 31 December 1996 of £932,549.

Higgs International Limited (formerly Higgs Air Agency Limited)

BALANCE SHEET

at 31 December 1997

	Note	1997 £	1996 £
FIXED ASSETS			
Tangible assets	9	722,263	458,080
Investments	10	2,492	25,129
		<u>724,755</u>	<u>483,209</u>
CURRENT ASSETS			
Stock		423	4,378
Debtors	11	4,861,635	5,411,213
Cash at bank and in hand		652,491	999,864
		<u>5,514,549</u>	<u>6,415,455</u>
CREDITORS: amounts falling due within one year	12	5,575,273	4,971,420
NET CURRENT (LIABILITIES) / ASSETS		<u>(60,724)</u>	<u>1,444,035</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>664,031</u>	<u>1,927,244</u>
CAPITAL AND RESERVES			
Called up share capital	14	20,010	20,010
Profit and loss account	15	644,021	1,907,234
SHAREHOLDERS' FUNDS		<u>664,031</u>	<u>1,927,244</u>

Approved by the directors on 21 April 1998

C E Turner
A J Chequer

)
) Directors
)

Chris Turner
A J Chequer

Higgs International Limited (formerly Higgs Air Agency Limited)

NOTES TO THE ACCOUNTS

at 31 December 1997

1 ACCOUNTING POLICIES

Accounting convention

The accounts are prepared under the historical cost convention in accordance with applicable accounting standards.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Leasehold improvements	over life of lease
Plant and machinery	5 years
Motor vehicles	4 - 7 years
Fixtures and fittings	5 years

Deferred taxation

Deferred taxation is provided on the liability method on all timing differences which are expected to reverse, in the future, without being replaced, calculated at the rate at which it is estimated that tax will be payable.

Foreign currencies

Transactions in foreign currencies are recorded at the rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Stocks

Stocks are stated at the lower of cost and net realisable value. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Pension costs

The Mercury Group of companies operates a defined benefit pension scheme which requires contributions to be made to a separately administered fund. Contributions to this fund are charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives within the group. Details of the scheme are shown in Mercury Holdings plc's accounts.

Leasing commitments

Rentals paid under operating leases are charged against income on a straight line basis over the term of the lease.

2 TURNOVER

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties which fall within the company's ordinary activities. All turnover arises in the United Kingdom.

Higgs International Limited (formerly Higgs Air Agency Limited)

NOTES TO THE ACCOUNTS

at 31 December 1997

3 OPERATING PROFIT

(a) This is stated after charging/(crediting):

	1997	1996
	£	£
Auditors' remuneration - audit	30,000	22,500
Depreciation of owned fixed assets	214,363	274,241
Operating lease rentals - property	137,309	139,064
- other	27,723	60,708
Profit on sale of tangible fixed assets	(2,401)	(10,218)
Exceptional item (Note 7)	749,225	-
Management charge	600,000	1,000,000
	<u> </u>	<u> </u>

(b) Directors' remuneration

	1997	1996
	£	£
Fees	-	-
Other emoluments (including pension contributions)	301,807	277,075
	<u> </u>	<u> </u>

The emoluments, excluding pension contributions, of the chairman were £Nil (1996: £Nil), and those of the most highly paid director were £79,320 (1996: £77,657).

4. OTHER OPERATING INCOME

Other operating income represents income derived under the management agreement with Services News Limited of £57,666.

Higgs International Limited (formerly Higgs Air Agency Limited)

NOTES TO THE ACCOUNTS

at 31 December 1997

5 STAFF COSTS

	1997 £	1996 £
Wages and salaries	2,405,775	2,670,937
Social security costs	189,951	231,878
Other pension costs	131,913	169,999
Other costs	75,805	50,899
	<u>2,803,444</u>	<u>3,123,713</u>

The average weekly number of employees during the year was as follows:

	1997 No.	1996 No.
Operations	86	98
Administration	25	40
	<u>111</u>	<u>138</u>

6 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

Based on the profit for the year, the charge comprises:

	1997 £	1996 £
Corporation tax at 31% (1996 - 33%)	274,759	485,000
Over provision of corporation tax in prior years	(3,299)	(1,666)
Tax attributable to franked investment income	-	31,250
	<u>271,460</u>	<u>514,584</u>

7 EXCEPTIONAL ITEM

The directors decided to terminate the operations of its subsidiary undertaking, Highway Presse International EURL in early 1998. At 31 December 1997, the Company had an investment of £595,145 representing 100% of the issued share capital of that company and a trading balance of £749,225 owed to the Company, made up of costs incurred on behalf of Highway Presse International EURL. These items have been fully provided for at the year end by way of the exceptional charges set out below.

	1997 £	1996 £
Provision against balance with subsidiary undertaking (operating)	749,225	-
Permanent diminution in value of investment held in subsidiary undertaking (non-operating)	595,145	-
	<u>1,344,370</u>	<u>-</u>

The above item fell outside the ordinary activities of the company and is not expected to recur.

Higgs International Limited (formerly Higgs Air Agency Limited)

NOTES TO THE ACCOUNTS

at 31 December 1997

8 DIVIDENDS

	1997 £	1996 £
Ordinary - final paid £62.47 per share (1996: £49.98)	1,250,000	1,000,000

9 TANGIBLE FIXED ASSETS

	<i>Leasehold improvements</i> £	<i>Plant & machinery</i> £	<i>Motor vehicles</i> £	<i>Fixtures and fittings</i> £	<i>Total</i> £
COST					
At 1 January 1997	353,611	506,367	419,039	73,163	1,352,180
Additions	34,857	268,554	187,522	18,838	509,771
Disposals	-	(219,612)	(80,223)	(44,433)	(344,268)
At 31 December 1997	388,468	555,309	526,338	47,568	1,517,683
DEPRECIATION					
At 1 January 1997	251,840	375,507	201,427	65,326	894,100
Charge for the year	53,893	73,431	82,120	4,919	214,363
Disposals	-	(219,612)	(48,998)	(44,433)	(313,043)
At 31 December 1997	305,733	229,326	234,549	25,812	795,420
NET BOOK VALUE					
At 31 December 1997	82,735	325,983	291,789	21,756	722,263
At 31 December 1996	101,771	130,860	217,612	7,837	458,080

Higgs International Limited (formerly Higgs Air Agency Limited)

NOTES TO THE ACCOUNTS

at 31 December 1997

10 INVESTMENTS

	1997 £	1996 £
<i>Investment in subsidiary undertakings:</i>		
Higgs Air Espana SA	1,992	2,594
Highway Presse Internationale EURL	-	22,035
	<u>1,992</u>	<u>24,629</u>
<i>Investment in associated undertaking:</i>		
Services News Limited	500	500
	<u>2,492</u>	<u>25,129</u>

Investment in subsidiary undertakings:

<i>Name of Company</i>	<i>Country of incorporation</i>	<i>Holding</i>	<i>Proportion of shares held</i>	<i>Nature of business</i>
Higgs Air Espana SA	Spain	Ordinary	100%	Dormant
Highway Presse Internationale EURL	France	Ordinary	100%	Freight

Investment in associate undertaking:

<i>Name of Company</i>	<i>Country of incorporation</i>	<i>Holding shares</i>	<i>Proportion of shares held</i>	<i>Nature of of business</i>
Services News Ltd	England	Ordinary	50%	Freight

The aggregate amount of share capital and reserves at each respective period end, and its results for that period were:

<i>Name of Company</i>	<i>Period ended</i>	<i>Aggregate share capital and reserves £</i>	<i>Loss for year £</i>
Services News Ltd	31 March 1997	<u>39,382</u>	<u>(309,971)</u>

Higgs International Limited (formerly Higgs Air Agency Limited)

NOTES TO THE ACCOUNTS

at 31 December 1997

11 DEBTORS

	1997	1996
	£	£
Trade debtors	4,532,669	4,414,034
Amounts due from subsidiary undertaking	-	848,130
Other debtors & accrued income	59,535	81,910
Prepayments	105,435	67,139
Amounts due from associated undertaking	23,889	-
Advance Corporation Tax	140,107	-
	<u>4,861,635</u>	<u>5,411,213</u>

12 CREDITORS: amounts falling due within one year

	1997	1996
	£	£
Trade creditors	3,848,261	2,723,392
Amounts owed to parent undertakings	697,211	1,187,115
Amounts owed to fellow subsidiary undertakings	113,474	41,412
Corporation tax	99,067	266,250
Other taxes and social security	(34,645)	56,759
Other creditors	310,296	315,492
Accruals and deferred income	227,766	162,250
ACT payable	312,500	218,750
Amounts payable to associated undertaking	1,343	-
	<u>5,575,273</u>	<u>4,971,420</u>

13 DEFERRED TAXATION

Deferred tax has been provided/(not provided) as follows:

	1997	1997	1996	1996
	Provided	Not	Provided	Not
	£	provided	£	provided
		£		£
Capital allowances in advance of depreciation	-	(48,169)	-	(59,713)
Other timing differences	-	(16,864)	-	(20,658)
	<u>Nil</u>	<u>(65,033)</u>	<u>Nil</u>	<u>(80,371)</u>

Higgs International Limited (formerly Higgs Air Agency Limited)

NOTES TO THE ACCOUNTS

at 31 December 1997

14 SHARE CAPITAL

	1997	Authorised, Issued and fully paid 1996
	£	£
20,010 ordinary shares of £1 each	20,010	20,010

15 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	1997	1996
	£	£
(Loss)\Profit for the year attributable to shareholders	(13,213)	932,549
Dividend	(1,250,000)	(1,000,000)
Opening shareholders' funds	1,907,234	1,974,685
Closing shareholders' funds	644,021	1,907,234

16 CAPITAL COMMITMENTS

There were capital commitments at 31 December 1997 of £Nil. (1996:£202,663)

17 OTHER FINANCIAL COMMITMENTS

At 31 December 1997 the company has annual commitments under non-cancellable operating leases as set out below:-

	1997	1996
	Land & buildings £	Land & buildings £
	Other £	Other £
Operating leases which expire:		
- within 1 year	3,630	2,226
- within 2 - 5 years	93,499	40,473
- over 5 years	-	15,449
	97,129	58,148
	108,020	23,998

18 CONTINGENT LIABILITY

An undertaking exists between the company and fellow group companies whereby each company is liable against failure by the other companies to meet obligations in respect of bank borrowings and guarantees.

NOTES TO THE ACCOUNTS

at 31 December 1997

19 PENSION COMMITMENTS

Mercury Holdings plc operates a defined benefit pension scheme for the benefit of employees of all group undertakings. Details of this scheme are contained in the accounts of Mercury Holdings plc.

20 ULTIMATE PARENT COMPANY

The ultimate parent company of the largest and smallest group of undertakings for which group accounts are drawn up and of which the company is a member is Mercury Holdings plc registered in England and Wales.

Copies of accounts can be obtained from the secretary.